

	SEPTEMBER 22, 1997 (FORMATION) TO DECEMBER 31, 1997	YEAR ENDED DECEMBER 31	
		1998	1999
OPERATING ACTIVITIES			
Net loss	\$ (21,860)	\$ (76,753)	\$ (225,716)
Adjustments to reconcile net loss to net cash used in operating activities:			
Equity in net loss of subsidiaries	21,860	41,135	185,883
Depreciation and amortization	--	1,197	3,104
Non-cash interest expense	--	23,104	36,963
Non-cash stock option compensation expense	--	21,190	29,833
Changes in assets and liabilities:			
Prepaid expenses and other current assets	--	(332)	(923)
Accounts payable	--	2,043	441
Accrued expenses	--	5,839	9,075
Amounts due from subsidiaries	--	(20,922)	(52,050)
Other assets	--	(1,952)	1,128
Net cash provided by (used in) operating activities	--	15,452	(32,262)
INVESTING ACTIVITIES			
Loans receivable from subsidiaries	(24,623)	(233,685)	(324,390)
Purchases of equipment	--	(5,845)	(18,327)
Acquisitions of intangible assets	(906)	(166)	(796)
Net cash used in investing activities	(25,129)	(239,696)	(343,513)
FINANCING ACTIVITIES			
Proceeds from issuance of preferred stock and related warrants, net of issuance costs	16,496	--	91,001
Proceeds from exercise of stock options	--	--	333
Proceeds from issuance of senior notes, net of issuance costs and purchase of portfolio of restricted investments	--	--	262,387
Proceeds from issuance of common stock and warrants, net of issuance costs	9,363	20,446	--
Proceeds from issuance of senior discount notes, net of issuance costs	(732)	225,923	--
Net cash provided by financing activities	25,129	246,369	353,721
Net increase (decrease) in cash and cash equivalents	--	1,221	(2,054)
Cash and cash equivalents, beginning of year	--	--	1,221
Cash and cash equivalents, end of year	\$ --	\$ 1,221	\$ (833)

See accompanying notes.

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SCHEDULE I - Condensed Financial Information of Registrant

KMC Telecom Holdings, Inc.
(Parent Company)

Notes to Condensed Financial Statements

December 31, 1999

1. BASIS OF PRESENTATION

In the parent company only financial statements, KMC Telecom Holdings, Inc.'s (the "Company") investment in subsidiaries is stated at cost less equity in losses of subsidiaries since date of formation. These parent company financial statements should be read in conjunction with the Company's consolidated financial statements. The Company's operating subsidiaries are KMC Telecom Inc. ("KMC Telecom"), KMC Telecom II, Inc. ("KMC Telecom II"), KMC Telecom III, Inc. ("KMC Telecom III") and KMC Telecom of Virginia, Inc.

On September 22, 1997, the stockholders of KMC Telecom exchanged all of their KMC Telecom common and preferred stock for equal numbers of shares of common and preferred stock of the Company.

Pursuant to a management agreement among the Company and its subsidiaries, the Company provides management and other services and incurs certain operating expenses on behalf of its subsidiaries. Such costs are allocated to the subsidiaries by the Company and reimbursed on a current basis. At December 31,

1998 and 1999, an aggregate of \$20.9 and \$73.0 million, respectively, was due from the subsidiaries for such costs and is included in the accompanying condensed balance sheet at December 31, 1998 and 1999 as a current receivable. Such reimbursements are permitted under the debt agreements of the Company's subsidiaries.

2. SENIOR SECURED CREDIT FACILITY

On December 22, 1998, KMC Telecom, KMC Telecom II and KMC Telecom of Virginia (the "Subsidiary Borrowers"), refinanced and expanded the Amended and Restated Loan and Security Agreement (the "AT&T Facility") by entering into a Loan and Security Agreement (the "Senior Secured Credit Facility") with AT&T Commercial Finance Corporation ("AT&T Finance"), First Union National Bank, General Electric Capital Corporation ("GECC") and Canadian Imperial Bank of Commerce (the "Creditors").

The Company has unconditionally guaranteed the repayment of the Senior Secured Credit Facility when such repayment is due, whether at maturity, upon acceleration, or otherwise. The Company has agreed to pay all amounts outstanding under the Senior Secured Credit Facility, on demand, upon the occurrence and during the continuation of any event of default (as defined therein). The Company has pledged the shares of each of the Subsidiary Borrowers to the Creditors to collateralize its obligations under the guaranty. In addition, the Subsidiary Borrowers have pledged all of their assets to the Creditors. Accordingly, if there were an event of default under the Senior Secured Credit Facility, the lenders thereunder would be entitled to payment in full and could foreclose on the assets of the Subsidiary Borrowers, and the holders of the Senior Discount Notes and Senior Notes would have no right to share in such assets. At December 31, 1999, an aggregate of \$235.0 million was outstanding under this facility.

Additionally, the Senior Secured Credit Facility restricts the ability of the Subsidiary Borrowers to pay dividends to, or to pay principal or interest on loans from, the Company. Such restrictions could adversely affect the Company's liquidity and ability to meet its cash requirements, including its ability to repay the Senior Discount Notes and the Senior Notes.

At December 31, 1999, an aggregate of \$504.8 million has been loaned by the Company to the Subsidiary Borrowers to be used for the construction and expansion of fiber optic telecommunications networks and for working capital and general corporate purposes.

As discussed further in Note 8, the Subsidiary Borrowers amended, restated and combined the Senior Secured Credit Facility and the Lucent Loan and Security Agreement during the first quarter of 2000.

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3. SENIOR DISCOUNT NOTES

On January 29, 1998, the Company sold 460,800 units, each consisting of 12 1/2% senior discount notes with a principal amount at maturity of \$1,000 due 2008 pursuant to the Senior Discount Note Indenture between KMC Holdings and the Chase Manhattan Bank, as trustee (the "Senior Discount Notes") and one warrant to purchase .21785 shares of Common Stock of the Company at an exercise price of \$.01 per share. The gross and net proceeds of the offering were approximately \$250.0 million and \$236.4 million, respectively. A substantial portion of the net proceeds of the offering have been loaned by the Company to its subsidiaries. On August 11, 1998, KMC Holdings consummated an offer to exchange the notes issued on January 29, 1998 for \$460.8 million aggregate principal amount at maturity of notes that had been registered under the Securities Act of 1933 (as used below and elsewhere herein, "Senior Discount Notes" includes the original notes and the exchange notes).

The Senior Discount Notes are unsecured, unsubordinated obligations of the Company and mature on February 15, 2008. The Senior Discount Notes will fully accrete to face value on February 15, 2003. From and after February 15, 2003, the Senior Discount Notes will bear interest, which will be payable in cash, at

the rate of 12.5% per annum on February 15 and August 15 of each year, commencing August 15, 2003. The Company is accreting the initial carrying value of the Senior Discount Notes to their aggregate face value over the term of the debt at its effective interest rate of 13.7%.

The indebtedness evidenced by the Senior Discount Notes ranks pari passu in right of payment with all existing and future unsubordinated, unsecured indebtedness of KMC Holdings and senior in right of payment to all existing and future subordinated indebtedness of KMC Holdings. However, KMC Holdings is a holding company and the Senior Discount Notes are, therefore, effectively subordinated to all existing and future liabilities (including trade payables) of its subsidiaries.

The Senior Discount Note Indenture restricts, among other things, the ability of the Company to incur additional indebtedness, create liens, engage in sale-leaseback transactions, pay dividends or make distributions in respect of capital stock, make investments or certain other restricted payments, sell assets of the Company, redeem capital stock, issue or sell stock of restricted subsidiaries, enter into transactions with stockholders or affiliates or effect a consolidation or merger.

4. LUCENT LOAN AND SECURITY AGREEMENT

KMC Telecom III entered into a Loan and Security Agreement (the "Lucent Facility") dated February 4, 1999 with Lucent Technologies Inc. ("Lucent") which provides for borrowings to be used to fund the acquisition of certain telecommunications equipment and related expenses.

The Company has unconditionally guaranteed the repayment of the Lucent Facility when such repayment is due, whether at maturity, upon acceleration, or otherwise. The Company has agreed to pay all amounts outstanding under the Lucent Facility, on demand, upon the occurrence and during the continuation of any event of default (as defined therein). The Company has pledged the shares of KMC Telecom III to Lucent to collateralize its obligations under the guaranty. In addition, KMC Telecom III has pledged all of its assets to Lucent. Accordingly, if there were an event of default under the Lucent Facility, Lucent thereunder would be entitled to payment in full and could foreclose on the assets of KMC Telecom III and the holders of the Senior Discount Notes and Senior Notes would have no right to share in such assets. At December 31, 1999, no amounts were outstanding under this facility.

Additionally, the Lucent Facility restricts the ability of KMC Telecom III to pay dividends to, or to pay principal or interest on loans from, the Company. Such restrictions could adversely affect the Company's liquidity and ability to meet its cash requirements, including its ability to repay the Senior Discount Notes and the Senior Notes.

5. SENIOR NOTES

On May 24, 1999, the Company issued \$275.0 million aggregate principal amount of 13 1/2% Senior Notes due 2009. On December 30, 1999, the Company exchanged the

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notes issued on May 24, 1999 for \$275.0 million aggregate principal amount of notes that had been registered under the Securities Act of 1933 (as used below, "Senior Notes" includes the original notes and the exchange notes). Interest on the Senior Notes is payable semi-annually in cash on May 15 and November 15 of each year, beginning November 15, 1999. A portion of the proceeds from the offering of the Senior Notes was used to purchase a portfolio of U.S. government securities that were pledged as security for the first six interest payments on the Senior Notes.

The Senior Notes are guaranteed by KMC Telecom Financing, Inc., a wholly-owned subsidiary. The Senior Notes are senior, unsubordinated unsecured obligations of KMC Holdings and rank pari passu in right of payment with all existing and future unsubordinated, unsecured indebtedness of KMC Holdings and senior in right of payment to all of existing and future subordinated indebtedness of KMC Holdings. However, KMC Holdings is a holding company and the Senior Notes are, therefore, effectively subordinated to all existing and future liabilities

(including trade payables) of its subsidiaries.

The Senior Note Indenture contains certain covenants that, among other things, limit the Company's ability to incur additional indebtedness, engage in sale-leaseback transactions, pay dividends or make certain other distributions, sell assets, redeem capital stock, effect a consolidation or merger of KMC Telecom Holdings, Inc. and enter into transactions with stockholders and affiliates and create liens on our assets.

6. REDEEMABLE EQUITY

Series E Preferred Stock

On February 4, 1999, the Company issued 25,000 shares of Series E Senior Redeemable, Exchangeable PIK Preferred Stock (the "Series E Preferred Stock") to Newcourt Commercial Finance Corporation ("Newcourt Finance"), generating aggregate gross proceeds of \$22.9 million. The Series E Preferred Stock has a liquidation preference of \$1,000 per share and an annual dividend equal to 14.5% of the liquidation preference, payable quarterly. On or before January 15, 2004, the Company may pay dividends in cash or in additional fully paid and nonassessable shares of Series E Preferred Stock. After January 15, 2004, dividends must be paid in cash, subject to certain conditions. Unpaid dividends accrue at the dividend rate of the Series E Preferred Stock, compounded quarterly. During 1999, the Company issued 5,004 shares of Series E Preferred Stock to pay the dividends due.

The Series E Preferred Stock must be redeemed on February 1, 2011, subject to the legal availability of funds therefor, at a redemption price, payable in cash, equal to the liquidation preference thereof on the redemption date, plus all accumulated and unpaid dividends to the date of redemption.

The Series E Preferred Stock is not convertible. The Company may, at the sole option of the Board of Directors (out of funds legally available), exchange all, but not less than all, of the Series E Preferred Stock then outstanding, for a new series of subordinated debentures (the "Exchange Debentures") issued pursuant to an exchange debenture indenture.

Series F Preferred Stock

On February 4, 1999, the Company issued 40,000 shares of Series F Senior Redeemable, Exchangeable PIK Preferred Stock (the "Series F Preferred Stock") to Lucent and Newcourt Finance, generating aggregate gross proceeds of \$38.9 million. The Series F Preferred Stock has a liquidation preference of \$1,000 per share and an annual dividend equal to 14.5% of the liquidation preference, payable quarterly. The Company may pay dividends in cash or in additional fully paid and nonassessable shares of Series F Preferred Stock. During 1999, the Company issued 4,177 shares of Series F Preferred Stock to pay the dividends due for such period.

Upon the earlier of (i) the date that is sixty days after the date on which the Company closes an underwritten primary offering of at least \$200 million of its Common Stock, pursuant to an effective registration statement under the Securities Act or (ii) February 4, 2001, any outstanding Series F Preferred Stock will automatically convert into Series E Preferred Stock, on a one for one basis.

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The Company may, at the sole option of the Board of Directors (out of funds legally available), exchange all, but not less than all, of the Series F Preferred Stock then outstanding for Exchange Debentures.

Warrants

In connection with the February 4, 1999 issuances of the Series E Preferred Stock and the Series F Preferred Stock, warrants to purchase an aggregate of 24,660 shares of Common Stock were sold to Newcourt Finance and Lucent. The aggregate gross proceeds from the sale of these warrants was approximately \$3.2 million. These warrants, at an exercise price of \$.01 per share, are exercisable

from February 4, 2000 through February 1, 2009.

In addition, the Company also delivered to the Warrant Agent certificates representing warrants to purchase an aggregate of an additional 107,228 shares of Common Stock at an exercise price of \$.01 per share (the "Springing Warrants"). The Springing Warrants may become issuable under the circumstances described in the following paragraph.

If the Company fails to redeem all shares of Series F Preferred Stock prior to the date (the "Springing Warrant Date") which is the earlier of (i) the date that is sixty days after the date on which the Company closes an underwritten primary offering of at least \$200 million of its Common Stock pursuant to an effective registration statement under the Securities Act or (ii) February 4, 2001, the Warrant Agent is authorized to issue the Springing Warrants to the Eligible Holders (as defined in the warrant agreement) of the Series E and Series F Preferred Stock. In the event the Company has redeemed all outstanding shares of Series F Preferred Stock prior to the Springing Warrant Date, the Springing Warrants will not be issued and the Warrant Agent will return the certificates to the Company. To the extent the Company exercises its option to exchange all of the Series F Preferred Stock for Exchange Debentures prior to the Springing Warrant Date, the Springing Warrants will not become issuable. Therefore, as the future issuance of the Springing Warrant is entirely within the control of the Company and the likelihood of their issuance is deemed to be remote, no value has been ascribed to the Springing Warrants.

Redemption Rights

Pursuant to a stockholders agreement, certain of the Company's stockholders and warrant holders have "put rights" entitling them to have the Company repurchase their preferred and common shares and redeemable common stock warrants for the fair value of such securities if no Liquidity Event (defined as (i) an initial public offering with gross proceeds of at least \$40 million, (ii) the sale of substantially all of the stock or assets of the Company or (iii) the merger or consolidation of the Company with one or more other corporations) has taken place by the later of (x) October 22, 2003 or (y) 90 days after the final maturity date of the Senior Discount Notes. The restrictive covenants of the Senior Discount Notes limit the Company's ability to repurchase such securities. All of the securities subject to such "put rights" are presented as redeemable equity in the accompanying balance sheets.

The redeemable preferred stock, redeemable common stock and redeemable common stock warrants, which are subject to the stockholders agreement, are being accreted up to their fair market values from their respective issuance dates to their earliest potential redemption date (October 22, 2003). At December 31, 1999, the aggregate redemption value of the redeemable equity was approximately \$320 million, reflecting per share redemption amounts of \$1,212 for the Series A Preferred Stock, \$476 for the Series C Preferred Stock and \$250 for the redeemable common stock and redeemable common stock warrants.

7. ARBITRATION AWARD

During the second quarter of 1999, the Company recorded a \$4.3 million charge to other expense in connection with an unfavorable arbitration award. The net amount due under the terms of the award was paid in full in June 1999.

8. SUBSEQUENT EVENTS

On February 15, 2000, KMC Telecom, KMC Telecom II, KMC Telecom of Virginia and KMC Telecom III (the "Borrowers"), amended, restated and combined the Senior Secured Credit Facility and the Lucent Facility by entering into a \$700 million

Loan and Security Agreement (the "Amended Senior Secured Credit Facility") with a group of lenders led by Newcourt Commercial Finance Corporation, GE Capital, Canadian Imperial Bank of Commerce ("CIBC"), First Union National Bank and Lucent Technologies, Inc. (the "Lenders").

The Amended Senior Secured Credit Facility includes a \$175 million reducing

revolver facility (the "Revolver"), a \$75 million term loan (the "Term Loan") and a \$450 million term loan facility (the "Lucent Term Loan").

The Revolver will mature on April 1, 2007. Proceeds from the Revolver can be used to finance the purchase of certain equipment, transaction costs and upon attainment of certain financial condition, for working capital and other general corporate purposes. The aggregate commitment of the Lenders under the Revolver will be reduced on each payment date beginning April 1, 2003. The initial quarterly commitment reduction is 5.0%, reducing to 3.75% on July 1, 2003 and increasing to 6.25% on July 1, 2004, and further increasing to 7.50% on July 1, 2006. Commencing with the fiscal year ending December 31, 2001, the aggregate Revolver commitment will be further reduced by an amount equal to 50% of excess operating cash flows (as defined in the Facility) for the prior fiscal year until the Borrowers achieve certain financial conditions. The Borrowers must pay an annual commitment fee on the unused portion of the Revolver ranging from .75% to 1.25%.

The Term Loan is payable in twenty consecutive quarterly installments of \$188,000 beginning on April 1, 2002 and two final installments of \$35.6 million each on April 1, 2007 and July 1, 2007. Proceeds from the Term Loan can be used to finance the purchase of certain equipment, transaction costs, working capital and other general corporate purposes.

The Lucent Term Loan provides for an aggregate commitment of up to \$450 million. Proceeds from the Lucent Term Loan can be used to purchase Lucent products or to reimburse the Borrowers for Lucent products previously purchased with cash or other sources of liquidity. The Lucent Term Loan will mature on July 1, 2007 and has required quarterly amortization beginning on July 1, 2003 of 5%. The amortization decreases to 3.75% per quarter beginning on October 1, 2003, increases to 6.25% on October 1, 2004 and further increases to 7.50% on October 1, 2006. An annual commitment fee of 1.50% is payable for any unused portion of the Lucent Term Loan.

The Amended Senior Secured Credit Facility will bear interest payable at the Borrowers' option, at (a) the "Applicable Base Rate Margin" (which generally ranges from 2.00% to 3.25%) plus the greater of (i) the administrative agent's prime rate or (ii) the overnight federal funds rate plus .5% or (b) the "Applicable LIBOR Margin" (which generally ranges from 3.00% to 4.25%) plus LIBOR, as defined. "Applicable Base Rate Margin" interest is payable quarterly while "Applicable LIBOR Margin" interest is payable at the end of each applicable interest period or at least every three months. If a payment default were to occur, the interest rate will be increased by four percentage points. If any other event of default shall occur, the interest rate will be increased by two percentage points.

KMC Holdings has unconditionally guaranteed the repayment of the Amended Senior Secured Credit Facility when such repayment is due, whether at maturity, upon acceleration, or otherwise. KMC Holdings has pledged the shares of each of the Borrowers to the Lenders to collateralize its obligations under the guaranty. In addition, the Borrowers have each pledged all of their assets to the Lenders.

The Amended Senior Secured Credit Facility contains a number of affirmative and negative covenants including, a covenant requiring the Borrowers to obtain cash capital contributions from KMC Holdings of at least \$185 million prior to April 1, 2001. KMC Holdings has secured a financing commitment for \$100 million in PIK preferred stock from Lucent towards this requirement and currently contemplates raising the balance of \$85 million through sales of private and public securities in the capital markets. Additional affirmative and negative covenants include, among others, restricting the ability of the Borrowers to consolidate or merge with any person, sell or lease assets not in the ordinary course of business, sell or enter into long term leases of dark fiber, redeem stock, pay dividends or make any other payments (including payments of principal or interest on loans) to KMC Holdings, create subsidiaries, transfer any permits or licenses, or incur additional indebtedness or act as guarantor for the debt of any person, subject to certain conditions.

The Borrowers are required to comply with certain financial tests and maintain certain financial ratios, including, among others, a ratio of total debt to contributed capital, certain minimum revenues, maximum EBITDA losses and minimum

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EBITDA, maximum capital expenditures and minimum access lines, a maximum total leverage ratio, a minimum debt service coverage ratio, a minimum fixed charge coverage ratio and a maximum consolidated leverage ratio. The covenants become more restrictive upon the earlier of (i) March 31, 2002 and (ii) after the Borrowers achieve positive EBITDA on a combined basis for two consecutive fiscal quarters and a total leverage ratio (as defined) equal to or less than 8 to 1.

Failure to satisfy any of the financial covenants will constitute an event of default under the Amended Senior Secured Credit Facility permitting the Lenders, after notice, to terminate the commitment and/or accelerate payment of outstanding indebtedness. The Amended Senior Secured Credit Facility also includes other customary events of default, including, without limitation, a cross-default to other material indebtedness, material undischarged judgments, bankruptcy, loss of a material franchise or material license, breach of representations and warranties, a material adverse change, and the occurrence of a change of control

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KMC Telecom Holdings, Inc.

SCHEDULE II - Valuation and Qualifying Accounts
(in thousands)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS		DEDUCTIONS - DESCRIBE	BALANCE AT END OF PERIOD
		CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS - DESCRIBE		
YEAR ENDED DECEMBER 31, 1997: Allowance for doubtful accounts	\$ --	\$ 34	\$ --	\$ --	\$ 34
YEAR ENDED DECEMBER 31, 1998: Allowance for doubtful accounts	\$ 34	\$ 370	\$ --	\$ 54(1)	\$350
YEAR ENDED DECEMBER 31, 1999: Allowance for doubtful accounts	\$ 350	\$5,263	\$ --	\$ 62(1)	\$5,551

(1) Uncollectible accounts written-off.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The following table sets forth certain information with respect to the persons who are members of the Board of Directors or are executive officers of the Company as of March 29, 2000.

NAME ----	AGE ---	POSITION -----
Harold N. Kamine.....	43	Chairman of the Board of Directors
Gary E. Lasher.....	64	Vice Chairman of the Board of Directors
Roscoe C. Young II.....	49	President, Chief Operating Officer and Director
William H. Stewart.....	33	Executive Vice President, Chief Financial Officer and Director
Tricia Breckenridge.....	53	Executive Vice President - Business Development
James L. Barwick.....	67	Senior Vice President and Chief Technology Officer
John G. Quigley.....	46	Director
Richard H. Patterson.....	41	Director
Randall A. Hack.....	52	Director

The business experience of each of the directors and executive officers of the Company is as follows:

HAROLD N. KAMINE is the Chairman of the Board of the Company and its founder and has been a director of the Company since 1994. He is also chief executive officer and sole owner of Kamine Development Corp. and associated companies in the independent power industry. Mr. Kamine has successfully financed a number of unregulated non-utility power generation projects. Companies owned by Mr. Kamine owned substantial interests in and managed six power generation plants in the Northeastern United States. Mr. Kamine devotes approximately eighty percent of his time to the affairs of the Company.

GARY E. LASHER joined the Company as its Vice Chairman of the Board effective November 1, 1997. He was the founder, Chief Executive Officer and President of Eastern TeleLogic Corporation from 1987 to 1997. Eastern TeleLogic was a leading competitive local exchange carrier operating in greater Philadelphia, Delaware and southern New Jersey before its purchase by TCG (Teleport Communications Group) in October 1996. Prior to Eastern TeleLogic, from 1984-1986, Mr. Lasher was Chief Operating Officer of Private Satellite Network, a company which built and operated video satellite networks for major corporations. Mr. Lasher spent 20 years with Continental Telephone holding various positions including Corporate Vice President, President of the International Engineering and Construction Company, and various senior positions with Continental Telephone's regulated subsidiaries. Mr. Lasher is one of the founding members of the Association for Local Telecommunications Services ("ALTS") and served for three years as Chairman of the Association.

ROSCOE C. YOUNG II has over 20 years experience in the field of telecommunications with both new venture and Fortune 500 companies. He has served as a director of the Company since December 1999. He was elected President and Chief Operating Officer of the Company in March 2000. Previously he had been Executive Vice President and Chief Operating Officer. Prior to joining the Company in November 1996, Mr. Young served as Vice President, Network Component Services for Ameritech Corporation from June 1994 to October 1996. From March 1988 to June 1994, Mr. Young served as Senior Vice President, Network Services for MFS Communications. From October 1977 to March 1988, Mr. Young served in a number of senior operations, sales and marketing, engineering, financial management, and human resource positions for AT&T Corp.

WILLIAM H. STEWART has served as a director of the Company since August 1997. Mr. Stewart joined the Company as Executive Vice President and Chief Financial Officer in March 2000. Mr. Stewart is Managing Director of Nassau Capital L.L.C. and joined that firm in June 1995. From 1989 until joining Nassau, Mr. Stewart was a portfolio manager and equity analyst at the Bank of New York. He is a Chartered Financial Analyst and a member of the New York Society of Security Analysts.

TRICIA BRECKENRIDGE joined the Company in April 1995. From January 1993 to April 1995 she was Vice President and General Manager of FiberNet USA's Huntsville, Alabama operations. Previously she had served as Vice President, External Affairs and later Vice President, Sales and Marketing of Diginet, Inc. She was co-founder of Chicago Fiber Optic Corporation, the predecessor of Metropolitan Fiber Systems. Earlier she was Director of Regulatory Affairs for Telesphere Corporation.

JAMES L. BARWICK has 40 years of experience in the telecommunications industry. Mr. Barwick joined the Company in March 1997. Prior to joining the Company, Mr. Barwick had been self-employed since 1986 as a telecommunications consultant with expertise in equipment application engineering, radio path engineering, analog and digital Mux, switching and transport systems in the long distance carrier and incumbent local exchange carrier areas, technical writing, project management and computer assisted design systems.

JOHN G. QUIGLEY has served as a director of the Company since August 1996. Mr. Quigley is a founding member of Nassau Capital L.L.C., which is the general partner of Nassau Capital Partners. Between 1980 and the formation of Nassau Capital in 1995, Mr. Quigley was an attorney with the law firm of Kirkland & Ellis in Chicago; a partner at Adler & Shaykin; and a partner at Clipper Capital Partners.

RICHARD H. PATTERSON has served as a director of the Company since May 1997. From May 1986 to January 1999, Mr. Patterson served as a Partner of Waller Capital Corporation, a media and communications investment banking firm. Since August 1997, he has served as a Vice President of Waller-Sutton Media LLC and Vice President of Waller-Sutton Management Group, Inc., two entities which manage a media and telecommunications private equity fund. Since January 2000, Mr. Patterson has served as a founding principal of a second media and telecommunications private equity fund managed by Spire Capital Partners LLC and Spire Capital Management, Inc. Mr. Patterson is a member of the Board of Directors of Regent Communications, Inc., which owns and operates radio stations in mid-to-small size markets.

RANDALL A. HACK has served as a director of the Company since August 1996. Since January 1995, Mr. Hack has been a member of Nassau Capital L.L.C., an investment management firm. From 1990 to 1994, he was the President and Chief Executive Officer of Princeton University Investment Company, which manages the endowment for Princeton University. Mr. Hack also serves on the Boards of Directors of Sweetwater, Inc., OmniCell Technologies, Inc., Castle Tower Holding Corp. and Mezzanine Capital Property Investors, Inc.

Pursuant to provisions contained in both the Company's certificate of incorporation and a stockholders agreement, Mr. Kamine and the Nassau entities are currently entitled to elect all of the Directors, three of whom are nominated by Mr. Kamine (one of whom must be the President and Chief Executive Officer), three of whom are nominated by Nassau and two of whom are nominated by agreement of Mr. Kamine, Nassau and either Newcourt Communications Finance Corporation or the holders of a majority of the outstanding shares of the Company's Series C Cumulative Convertible Preferred Stock. The number of Directors which Mr. Kamine is entitled to elect would be reduced to two if the number of shares owned by him were to fall below two-thirds of the number of shares of the Company initially issued to him, and to one if the number of shares owned by him were to fall below one-third of the number of shares initially issued to him. If his ownership were to fall below 5% of the number of shares initially issued to him, Mr. Kamine would no longer be entitled to elect any Directors pursuant to such provisions. Comparable reductions would be made to the number of Directors which Nassau is entitled to elect if its ownership were to fall below the specified fractions. If a default relating to payment occurs under our Amended Senior Secured Credit Facility, and continues uncured for 90 days, the holders of Series C Cumulative Convertible Preferred Stock (currently Nassau, General Electric Capital Corporation and First Union) will be entitled to elect two additional Directors, who will serve until the default is cured.

Kamine/Besicorp Allegany L.P., an independent power company 50% owned by corporations which Mr. Kamine owns, filed a voluntary petition to reorganize its

business under Chapter 11 of the Federal Bankruptcy Code in November 1995. In October 1998, the bankruptcy court confirmed a plan of liquidation for this entity.

Directors hold office until the next Annual Meeting of stockholders or until their successors are duly elected and qualified. Executive officers are elected annually by the Board of Directors and serve at the discretion of the Board of Directors.

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COMMITTEES OF THE BOARD

The Board of Directors of the Company has authorized a Compensation Committee to be composed of three members. The present members of the Compensation Committee are Messrs. Kamine, Quigley and Patterson. The Board of Directors has created an Executive Committee consisting of Mr. Kamine and Mr. Quigley, or, in Mr. Quigley's absence, Mr. Stewart. The Board of Directors has also created an Audit Committee consisting of Messrs. Lasher, Patterson and Quigley.

ITEM 11. EXECUTIVE COMPENSATION.

SUMMARY COMPENSATION TABLE

The following table sets forth information concerning compensation for services in all capacities awarded to, earned by, or paid to, any person acting as the Company's Chief Executive Officer during 1999, regardless of the amount of compensation paid, and the other four most highly compensated executive officers of the Company whose aggregate cash and cash equivalent compensation exceeded \$100,000 during the fiscal year ended December 31, 1999 (collectively, the "Named Executive Officers"):

NAME AND POSITION	YEAR	ANNUAL COMPENSATION			LONG TERM COMPENSATION SECURITIES UNDERLYING OPTIONS (#) (2)
		SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$ (1))	
Harold M. Kamine..... Chairman of the Board	1999	\$450,000	-	-	-
Michael A. Sternberg(3)..... President and Chief Executive Officer	1999	\$496,539	\$272,500	-	-
	1998	\$275,000	\$407,500	-	65,000
	1997	\$240,385	\$187,500	\$45,909	9,228
Roscoe C. Young II..... Executive Vice President and Chief Operating Officer	1999	\$446,539	\$362,500	\$18,750	-
	1998	\$218,270	\$497,500	\$52,189	32,500
	1997	\$180,000	\$182,046	\$198,180	2,309
James D. Grenfell(4)..... Executive Vice President, Chief Financial Officer and Secretary	1999	\$222,692	\$120,000	\$55,403	18,000
Tricia Breckenridge..... Executive Vice President - Business Development	1999	\$193,212	\$86,000	-	1,000
	1998	\$155,577	\$75,000	-	5,000
	1997	\$104,138	\$49,000	-	691

- (1) The amount reported in this column for Mr. Sternberg in 1997 includes relocation related expenses of \$39,662 and personal use of a Company automobile of \$6,247. The amounts reported in this column for Mr. Young include relocation related expenses of \$18,750 in 1999, relocation related expenses of \$47,377 and personal use of a Company automobile of \$4,812 for 1998, and relocation related expenses of \$196,029 and personal use of a Company automobile of \$2,151 for 1997. The amounts reported in this column for Mr. Grenfell include relocation related expenses of \$49,265 and

personal use of a company automobile of \$6,136 for 1999. The aggregate value of the perquisites and other personal benefits, if any, received by Mr. Sternberg in 1999 and 1998 and by each of Mr. Kamine and Ms. Breckenridge in 1999, 1998 and 1997 have not been reflected in this table because the amount was below the Securities and Exchange Commission's threshold for disclosure (i.e., the lesser of \$50,000 or 10% of the total of annual salary and bonus for the executive officer for the year).

- (2) The options granted in 1997 were options to purchase shares of common stock of the Company's principal operating subsidiary KMC Telecom Inc. All of the options shown as granted in 1997 were cancelled during the third quarter of 1998 and replaced by options to purchase Common Stock of the Company. See "Stock Option Grants." All options granted during 1998 are options to purchase shares of Common Stock of the Company.

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- (3) Mr. Sternberg served in the capacities indicated throughout the year ended December 31, 1999.
- (4) Mr. Grenfell joined the Company as Executive Vice President and Chief Financial Officer in March 1999 and the compensation figures for him are for the period from that date to the end of the year. William H. Stewart became Executive Vice President and Chief Financial Officer in March 2000.

STOCK OPTION GRANTS

The following table sets forth information regarding grants of options to purchase shares of Common Stock made by the Company during 1999 to each of the Named Executive Officers.

OPTION GRANTS IN FISCAL YEAR 1999

NAME	INDIVIDUAL GRANTS					POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM (3)		
	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED IN FISCAL YEAR 1999	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 1999	EXERCISE OR BASE PRICE (\$/SHARE)	MARKET PRICE OF COMMON STOCK ON DATE OF GRANT (2)	EXPIRATION DATE	(0%)	(5%)	(10%)
Harold H. Kamine.....	-	-	-	-	-	-	-	-
Michael A. Sternberg.....	-	-	-	-	-	-	-	-
Roscoe C. Young II.....	-	-	-	-	-	-	-	-
James D. Grenfell.....	18,000	21.9	\$125	\$130	01/01/09	\$90,000	\$1,566,000	\$3,816,000
Tricia Breckenridge.....	1,000	1.2	\$125	\$130	01/01/09	\$ 5,000	\$ 87,000	\$ 212,000

- (1) 10% of the aggregate amount of each such option vests on each subsequent six-month anniversary of the date of grant.
- (2) There is no active trading market for the Company's Common Stock. The market price shown is based upon management's estimate of the fair value of the Company's Common Stock on the date in January, 1999 when these options were granted.
- (3) Amounts reported in these columns represent amounts that may be realized upon exercise of options immediately prior to the expiration of their term assuming the specified compounded rates of appreciation (0%, 5% and 10%) on Common Stock over the term of the options. These assumptions are based on rules promulgated by the Securities and Exchange Commission and do not reflect the Company's estimate of future stock price appreciation. Actual gains, if any, on the stock option exercises and Common Stock holdings are dependent on the timing of such exercises and the future value of the Common Stock. There can be no assurance that the rates of appreciation assumed in this table can be achieved or that the amounts reflected will be

received by the option holders.

OPTION EXERCISES AND OPTION YEAR-END VALUE TABLE

No options were exercised during 1999 by any of the Named Executive Officers. The following table sets forth information regarding the number and year-end value of unexercised options to purchase shares of Common Stock held at December 31, 1999 by each of the Named Executive Officers.

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FISCAL 1999 YEAR-END OPTION VALUES

VALUE OF UNEXERCISED "IN-THE-MONEY"		NUMBER OF SECURITIES UNDERLYING UNEXERCISED	
OPTIONS AT	SHARES	VALUE	OPTIONS AT
DECEMBER 31, 1999	ACQUIRED ON	REALIZED	DECEMBER 31, 1999
NAME	EXERCISE (#)	(\$)	EXERCISABLE/UNEXERCISABLE
EXERCISABLE/UNEXERCISABLE (1)			
Harold N. Kamine	-	-	-
\$ - / \$ -			
Michael A. Sternberg	-	-	39,000/26,000
\$8,970,000/\$5,590,000			
Roscoe C. Young II	-	-	19,500/13,000
\$4,485,000/\$2,795,000			
James D. Grenfell	-	-	1,800/16,200
\$225,000/\$2,025,000			
Tricia Breckenridge	-	-	4,600/1,400
\$1,027,500/\$217,500			

- (1) Options are "In-the-Money" if the fair market value of the underlying securities exceeds the exercise price of the options. There is no active trading market for the Company's Common Stock. The fair market value of the option grants at December 31, 1999 was determined on the basis of management's estimate of the fair value of the Company's Common Stock on that date.

DIRECTOR COMPENSATION

The Company's Directors do not currently receive any compensation for their services in such capacity, except that Mr. Lasher receives \$25,000 per year in connection with his services as Vice Chairman of the Board and Mr. Patterson receives \$25,000 per year in connection with his services as a Director.

EXECUTIVE EMPLOYMENT CONTRACTS

The Company has an employment contract with Harold N. Kamine, the Chairman of its Board of Directors. The Company's employment agreement with Mr. Kamine provides for a term of four years, effective as of January 1, 1999. Under the agreement, Mr. Kamine's base salary is \$450,000 per annum, and Mr. Kamine is required to devote at least fifty percent of his time and attention to the performance of his duties under the agreement. Mr. Kamine is entitled to receive benefits generally received by senior executives of the Company, including

reimbursement of expenses incurred on behalf of the Company, and participation in group plans. If Mr. Kamine's employment agreement is terminated as a result of Mr. Kamine's death or permanent disability, or upon the Company's breach of the agreement, he, or his estate, is entitled to a severance payment in an amount equal to the lesser of (i) two times his annual base salary and (ii) the aggregate unpaid base salary that would have been paid to him during the remaining balance of the term of the employment contract, subject to a minimum of one-half of his annual base salary.

The Company has an employment contract with Roscoe C. Young, II, President and Chief Operating Officer. The Company's employment agreement with Mr. Young provides for a term of four years, effective as of January 1, 1999. Under the agreement, Mr. Young's base salary is \$450,000 per annum and he is entitled to be considered for an annual bonus in an amount to be determined by the Compensation Committee of the Company's Board of Directors. Mr. Young is entitled to receive benefits generally received by Company officers, including options to purchase Company Stock, reimbursement of expenses incurred on behalf of the Company, and a leased automobile. Upon termination of the agreement, Mr. Young is subject to a confidentiality covenant and a twenty-four month non-competition agreement. If the Company terminates Mr. Young's employment without cause, he is entitled to a severance payment in an amount equal to the lesser of (i) two times his annual base salary and (ii) the aggregate unpaid base salary that would have been paid to him during the remaining balance of the term of the employment contract, subject to a minimum of one-half of his annual base salary.

SEPARATION AGREEMENTS

On March 7, 2000, the Company entered into a separation agreement and release with Michael A. Sternberg, pursuant to which Mr. Sternberg's employment as the Company's President and Chief Executive Officer was terminated, by mutual agreement, effective March 8, 2000. Under the separation agreement, Mr. Sternberg was paid \$500,000 and is entitled to an additional \$500,000 which will be paid in semi-monthly installments between April 1, 2000 and March 31, 2001,

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subject to acceleration in certain circumstances. Mr. Sternberg was also reimbursed for accrued vacation time. Pursuant to the agreement, the Company will pay the costs associated with Mr. Sternberg's current enrollment in the Company's health care plans through December 31, 2001. Mr. Sternberg will also retain 65,000 stock options previously granted to him under the KMC Holdings Stock Option Plan. Mr. Sternberg has agreed to vote any shares of common stock owned by him in accordance with the shares owned by Mr. Kamine and Nassau. Mr. Sternberg has agreed to make himself available to consult with the Company on a non-exclusive basis through December 31, 2001.

On March 7, 2000, the Company entered into a separation agreement and release with James D. Grenfell, pursuant to which Mr. Grenfell's employment as the Company's Executive Vice President, Chief Financial Officer and Secretary was terminated, by mutual agreement, effective March 8, 2000. Under the separation agreement, Mr. Grenfell was paid \$500,000 and is entitled to an additional \$300,000 which will be paid in semi-monthly installments to be paid over a twelve month period in accordance with the Company's payroll practices. Mr. Grenfell is also entitled to a payment of \$200,000 on March 1, 2001. Pursuant to the agreement, the Company will pay the costs associated with Mr. Grenfell's current enrollment in the Company's health care plans through December 31, 2001. Mr. Grenfell will also retain 3,600 stock options previously granted to him under the KMC Holdings Stock Option Plan. Mr. Grenfell has agreed to vote any shares of common stock owned by him in accordance with the shares owned by Mr. Kamine and Nassau. The Company will also pay Mr. Grenfell up to \$40,000 for certain relocation and other services.

EMPLOYEE PLANS

KMC Holdings Stock Option Plan. Employees, directors or other persons having a unique relationship with the Company or any of its affiliates are eligible to participate in the KMC Holdings Stock Option Plan. However, neither Mr. Kamine nor any person employed by Nassau or any affiliate of Nassau is

eligible for grants under the plan. The KMC Holdings Stock Option Plan is administered by the Compensation Committee of the Board of Directors of the Company. The Compensation Committee is authorized to grant (i) options intended to qualify as Incentive Options, (ii) Non-Qualified Options, (iii) stock appreciation rights, (iv) restricted stock, (v) performance units, (vi) performance shares and (vii) certain other types of awards.

The number of shares of Company Common Stock available for grant under the KMC Holdings Stock Option Plan is 600,000. No participant may receive more than 75,000 shares of Company Common Stock under the KMC Holdings Stock Option Plan.

The Compensation Committee has the power and authority to designate recipients of grants under the KMC Holdings Stock Option Plan, to determine the terms, conditions and limitations of grants under the plan and to interpret the provisions of the plan. The exercise price of all Incentive Options granted under the KMC Holdings Stock Option Plan must be at least equal to the Fair Market Value (as defined in the plan) of Company Common Stock on the date the options are granted and the exercise price of all Nonqualified Options granted under the KMC Holdings Stock Option Plan must be at least equal to 50% of the Fair Market Value of Company Common Stock on the date the options are granted. The maximum term of each Option granted under the KMC Holdings Stock Option Plan will be 10 years. Options will become exercisable at such times and in such installments as the Compensation Committee provides in the terms of each individual Option.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Mr. Kamine, the Chairman of the Board of the Company, and Messrs. Quigley and Patterson, Director of the Company, served as members of the Compensation Committee of the Board of Directors during 1999. Mr. Quigley is also a member of Nassau Capital Partners L.P. which, through its affiliates, beneficially owns more than five percent (5%) of the Company's voting securities.

The Company and certain affiliated companies owned by Mr. Kamine share certain administrative services. The entity which bears the cost of the service is reimbursed by the other for the other's proportionate share of such expenses. These shared services do not include the rent paid by the Company for its headquarters offices to an affiliate of Mr. Kamine under the lease described in the next succeeding paragraph. The Company reimbursed Kamine-affiliated companies for these shared services an aggregate of approximately \$60,000, for 1999.

Effective June 1, 1996, the Company entered into a lease agreement with Kamine Development Corp. (an entity controlled by Mr. Kamine) pursuant to which the Company leases its headquarters office in Bedminster, New Jersey. The lease

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expires in January 2007. The lease provides for a base annual rental of approximately \$217,000 (adjusted periodically for changes in the consumer price index), plus operating expenses.

Pursuant to an agreement, the Company is entitled to utilize a Citation III business jet chartered by Bedminster Aviation, LLC, a limited liability company wholly owned by Mr. Kamine, for a fixed price of \$2,800 per hour of flight time. The Citation III will enable up to eight employees, guests or representatives of the Company to utilize local airfields and visit multiple cities in which the Company either has an operating system or is building a system, without the necessity of returning to commercial hubs such as Atlanta or St. Louis. The Company has agreed to use its best efforts to utilize the Citation III fifty hours per quarter during 2000. However, the Company is under no obligation to do so and has not guaranteed any financial arrangements with respect to the aircraft or to Bedminster Aviation, LLC. During 1999 the Company paid \$210,000 for the use of the Citation III.

On July 1, 1999, the Company acquired all of the membership interests of KMC Services LLC from Harold N. Kamine, the Chairman of the Board of Directors, for nominal consideration. KMC Services LLC was formed to provide services to the Company and its customers, initially offering a leasing program for

equipment physically installed at the customer's premises. The acquisition was accounted for as a combination of entities under common control, and no changes were made to the historical cost basis of KMC Services LLC's assets. During the second quarter of 1999, the Company had reduced the carrying value of its \$709,000 loan receivable from KMC Services LLC to an amount equal to the value of KMC Services LLC's net assets at the acquisition date. KMC Services LLC has been consolidated with the Company since July 1, 1999.

Pursuant to an Agreement among the Company, Mr. Kamine and Nassau, for 1999 Nassau received \$450,000 as a financial advisory fee and as compensation for the Nassau designees who served on the Board of Directors of the Company. Nassau will be paid \$450,000 as a financial advisory fee for 2000.

In December 1999, the Company purchased \$180,000 of office equipment and leasehold improvements from Kamine Development Corp. (an entity controlled by Mr. Kamine). The Company determined that the purchase of such equipment was upon fair and reasonable terms no less favorable to the Company than could be obtained in a comparable arm's-length transaction with a person that is not an affiliate of the Company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth certain information regarding the beneficial ownership of the Common Stock, as of March 29, 2000, by (i) each person known to the Company to be the beneficial owner of more than 5% of the Common Stock, (ii) each of the Company's directors, (iii) each of the Named Executive Officers, and (iv) all directors and executive officers as a group. All information with respect to beneficial ownership has been furnished to the Company by the respective stockholders of the Company.

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES (1)	PERCENTAGE OWNERSHIP (1)
Harold N. Kamine..... c/o Kamine Development Corp. 1545 Route 206 Bedminster, NJ 07921	573,835	67.2%
Nassau Capital Partners L.P..... c/o Nassau Capital L.L.C. 22 Chambers Street Princeton, NJ 08542	661,454 (2)	44.1%
Newcourt Capital, Inc..... 2 Gate Hall Drive Parsippany, NJ 07054	191,033.2 (3)	21.6%
First Union Corp. 301 South College St. Charlotte, NC 28288	146,742.6 (4)	14.8%
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General Electric Capital Corporation..... 120 Long Ridge Road Stamford, CT 06927	200,476 (5)	19.0%
CIBC Inc. 425 Lexington Avenue New York, New York 10017	44,104	5.2%
Michael A. Sternberg c/o KMC Telecom Holdings, Inc. 1545 Route 206, Suite 300 Bedminster, New Jersey 07921	65,000 (6)	7.1%
Gary E. Lasher..... c/o KMC Telecom Holdings, Inc. 1545 Route 206, Suite 300 Bedminster, New Jersey 07921	10,000 (6)	1.2%

John G. Quigley..... c/o Nassau Capital L.L.C. 22 Chambers Street Princeton, NJ 08542	661,454 (7)	44.1%
Richard H. Patterson..... c/o Waller Capital Corporation 30 Rockefeller Center Suite 4350 New York, NY 10112	3,000 (6)	0.4%
Randall A. Hack..... c/o Nassau Capital L.L.C. 22 Chambers Street Princeton, NJ 08542	661,454 (7)	44.1%
Roscoe C. Young II..... c/o KMC Telecom Holdings, Inc. 1545 Route 206, Suite 300 Bedminster, NJ 07921	22,750 (6)	2.6%
James D. Grenfell..... c/o KMC Telecom Holdings, Inc. 1545 Route 206, Suite 300 Bedminster, NJ 07921	3,600 (6)	0.4%
William H. Stewart..... c/o KMC Telecom Holdings, Inc. 1545 Route 206, Suite 300 Bedminster, NJ 07921	661,454 (8)	44.1%
Tricia Breckenridge..... c/o KMC Telecom Holdings, Inc. 1545 Route 206, Suite 300 Bedminster, NJ 07921	5,200 (6)	0.6%
Directors and Officers of the Company as a Group (10 persons)...	1,344,839 (2)	83.5%

- (1) Beneficial ownership is determined in accordance with the rules of the Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares subject to options, warrants and convertible securities held by that person that are

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currently exercisable or exercisable within 60 days of March 29, 2000 are deemed outstanding. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Except as indicated in the footnotes to this table, each shareholder named in the table has sole voting and investment power with respect to the shares set forth opposite such shareholder's name.

- (2) Includes 600,000 shares of Common Stock which Nassau and NAS Partners I L.L.C., of which Messrs. Quigley and Hack are members, have the right to acquire upon conversion of 122,708 and 1,092 shares of Series A Cumulative Convertible Preferred Stock, respectively, and 47,619 shares of Common Stock which Nassau and NAS Partners I, L.L.C. have the right to acquire upon conversion of 24,778 and 222 shares of Series C Cumulative Convertible Preferred Stock, respectively. These are the same shares listed for Messrs. Quigley and Hack.
- (3) Includes 159,184.5 shares of Common Stock held by Newcourt Communications Finance Corporation, a subsidiary of Newcourt Capital, Inc. and 31,848.7 shares of Common Stock which Newcourt Commercial Finance Corporation, also a subsidiary of Newcourt Capital, Inc., has the right to acquire upon the exercise of warrants.
- (4) Includes 95,238 shares of Common Stock which First Union has the right to acquire upon conversion of 50,000 shares of Series C Cumulative Convertible Preferred Stock of the Company, and 44,587 shares which First Union Corp. has the right to acquire upon the exercise of warrants.

- (5) Includes 190,476 shares of Common Stock which General Electric Capital Corporation has the right to acquire upon conversion of 100,000 shares of Series C Cumulative Convertible Preferred Stock of the Company and 10,000 shares of Common Stock which General Electric Capital Corporation has the right to acquire upon exercise of a warrant.
- (6) Represents shares of Common Stock which the holder has the right to acquire upon the exercise of options that are exercisable within sixty days of March 29, 2000 pursuant to the KMC Holdings Stock Option Plan.
- (7) Messrs. Quigley and Hack, Directors of the Company, are members of Nassau Capital L.L.C., the general partner of Nassau; accordingly Messrs. Quigley and Hack may be deemed to be beneficial owners of such shares and for purposes of this table they are included. Messrs. Quigley and Hack disclaim beneficial ownership of all such shares within the meaning of Rule 13d-3 under the Exchange Act. Messrs. Quigley and Hack are also members of NAS Partners I, L.L.C.; accordingly Messrs. Quigley and Hack may be deemed to be beneficial owners of such shares and for purposes of this table they are included. Messrs. Quigley and Hack disclaim beneficial ownership of all such shares within the meaning of Rule 13d-3 under the Exchange Act.
- (8) All of the shares indicated as owned by Mr. Stewart are owned directly or indirectly by Nassau and are included because of Mr. Stewart's affiliation with Nassau. Mr. Stewart is also a member of NAS Partners I, L.L.C.; accordingly, Mr. Stewart may be deemed to be the beneficial owner of such shares and for purposes of this table they are included. Mr. Stewart disclaims beneficial ownership of all of these shares within the meaning of Rule 13d-3 under the Exchange Act.

Stockholders Agreement. The Amended and Restated Stockholders Agreement, dated as of October 31, 1997, restricts the ability of the parties to that agreement to transfer shares in the Company to persons not affiliated with or related to such parties. Pursuant to such Stockholders Agreement and the Company's certificate of incorporation, Mr. Kamine and Nassau are currently entitled to elect all of the Directors, three of whom are nominated by Mr. Kamine (one of whom must be the President and Chief Executive Officer), three of whom are nominated by Nassau and two of whom are nominated by agreement of Mr. Kamine, Nassau and either Newcourt Communications Finance Corporation or the holders of a majority of the outstanding shares of the Company's Series C Cumulative Convertible Preferred Stock. The number of Directors which Mr. Kamine is entitled to elect would be reduced to two if the number of shares owned by him were to fall below two-thirds of the number of shares of the Company initially issued to him, and to one if the number of shares owned by him were to fall below one-third of the number of shares initially issued to him. If his ownership were to fall below 5% of the number of shares initially issued to him, Mr. Kamine would no longer be entitled to elect any Directors pursuant to such provisions. Comparable reductions would be made to the number of Directors which Nassau is entitled to elect if its ownership were to fall below the specified percentages. If a default relating to payment occurs under the Amended Senior Secured Credit Facility, and continues uncured for 90 days, the holders of Series C Cumulative Convertible Preferred Stock (currently Nassau, NAS Partners I, L.L.C., General Electric Capital Corporation and First Union) will be entitled to elect two additional Directors, who will serve until the default is cured.

Each of Nassau, NAS Partners I, L.L.C., First Union, General Electric Capital Corporation and Newcourt Communications Finance Corporation has a "put right" entitling it to have the Company repurchase its shares for the fair market value of such shares if no Liquidity Event (defined as (i) an initial public offering with gross proceeds of at least \$40.0 million, (ii) the sale of substantially all of the stock or assets of the Company or (iii) the merger or

consolidation of the Company with one or more other corporations) has taken place by the later of (x) October 22, 2003 or (y) 90 days after the final maturity date of the Company's 12 1/2% Senior Discount Notes. First Union, General Electric Capital Corporation and Newcourt Communications Finance Corporation may not exercise such put rights unless Nassau has exercised its put

right. The indenture applicable to the Company's 13 1/2% Senior Notes, 12 1/2% Senior Discount Notes and the Company's other indebtedness will limit the Company's ability to repurchase such shares.

Certain of the current stockholders have demand registration rights with respect to their shares of Common Stock of the Company commencing on the earlier of June 5, 2000 (in the case of Mr. Kamine or Nassau) and the date on which the Company completes an initial public offering of Common Stock (and any related holdback period expires). Each of the holders of registrable securities also has certain piggyback registration rights. The parties to the Stockholders Agreement have agreed not to effect any public sale or distribution of Common Stock of the Company, or securities convertible into such Common Stock, within 180 days of the effective date of any demand or piggyback registration.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

In February, 1998, the Company loaned to Roscoe C. Young II, the Company's President, Chief Operating Officer and Director, the principal sum of \$350,000. The loan is evidenced by a promissory note which bears interest at the rate of 6% per annum. Interest and principal are payable at maturity on February 13, 2003. In June 1998, the Company loaned Mr. Young an additional \$110,000. The largest aggregate amount of loans outstanding to Mr. Young at any time during 1999 was \$405,000. The aggregate amount of loans outstanding to Mr. Young at March 29, 2000 was \$350,000. Mr. Young repaid \$55,000 of this loan within thirty (30) days and repaid the \$55,000 balance in December 1999.

Pursuant to agreements entered into in September and October 1997, between the Company and each of the holders of Series A Cumulative Convertible Preferred Stock and Series C Cumulative Convertible Preferred Stock each such holder has agreed to forego the payment of accumulated dividends on its shares of Series A Cumulative Convertible Preferred Stock and Series C Cumulative Convertible Preferred Stock of the Company from the date of such Dividend Agreement through the date on which such holder disposes of its interest in the Company; provided, that, upon such disposition, such holder realizes not less than a ten percent (10%) compound rate of return on its investment for the period from the date of such Dividend Agreement to the date of such disposition.

Mr. Kamine, Nassau, Newcourt Communications Finance Corporation, First Union and General Electric Capital Corporation are parties to the Stockholders Agreement. Pursuant to the Stockholder's Agreement and the Company's certificate of incorporation, Mr. Kamine and Nassau are currently entitled to elect all of the Company's eight Directors, with each entitled to nominate three Directors, and two to be nominated by agreement of Mr. Kamine, Nassau and either Newcourt Communications Finance Corporation or the holders of a majority of the outstanding shares of the Company's Series C Cumulative Convertible Preferred Stock. The number of Directors which Mr. Kamine is entitled to elect would be reduced to two if the number of shares owned by him were to fall below two-thirds of the number of shares of the Company initially issued to him, and to one if the number of shares owned by him were to fall below one-third of the number of shares initially issued to him. If his ownership were to fall below 5% of the number of shares initially issued to him, Mr. Kamine would no longer be entitled to elect any Directors pursuant to such provisions. Comparable reductions would be made to the number of Directors which Nassau is entitled to elect if its ownership were to fall below the specified fractions.

Newcourt Commercial Finance Corporation (an affiliate of Newcourt Capital, Inc.) has provided financing for the Company as one of the lenders under the Amended Senior Secured Credit Facility. Pursuant to the Amended Senior Secured Credit Facility, the lenders have agreed to make available, subject to certain conditions, up to a total of \$700.0 million, for construction and development of the Company's twenty-three existing networks. The Company paid Newcourt Capital and its affiliates an aggregate of \$5,000,000 in fees, discounts and commissions during the year ended December 31, 1999.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(A) 1. Financial Statements.

The financial statements are included in Part II, Item 8. of this

Report.

2. Financial Statement Schedules and Supplementary Information Required to be Submitted.

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Independent Auditors' Report on Schedules
Schedule I - Condensed Financial Information of Registrant
Schedule II - Valuation and Qualifying Accounts

These schedules are included in Part II, Item 8. of this Report. All other schedules have been omitted because they are inapplicable or the required information is shown in the consolidated financial statements or notes.

(B) Reports on Form 8-K.

None.

(C) Index to Exhibits.

The following is a list of all Exhibits filed as part of this Report:

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
*3.1	Certificate of Incorporation of KMC Telecom Holdings, Inc., as amended, dated as of April 30, 1999. (incorporated herein by reference to Exhibit 3.1 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).
*3.2	Certificate of Powers, Designations, Preferences and Rights of the Series A Cumulative Convertible Preferred Stock, Par Value \$.01 Per Share, as amended, dated as of April 30, 1999. (incorporated herein by reference to Exhibit 3.2 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).
*3.3	Certificate of Powers, Designations, Preferences and Rights of the Series C Cumulative Convertible Preferred Stock, Par Value \$.01 Per Share, as amended, dated as of April 30, 1999. (incorporated herein by reference to Exhibit 3.3 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).
*3.4	Certificate of Powers, Designations, Preferences and Rights of the Series D Cumulative Convertible Preferred Stock, Par Value \$.01 Per Share, as amended, dated as of April 30, 1999. (incorporated herein by reference to Exhibit 3.4 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).
*3.5	Certificate of Voting Powers, Designations, Preferences and Relative Participating, Optional or Other Special Rights and Qualifications, Limitations and Restrictions Thereof of the Series E Senior Redeemable, Exchangeable, PIK Preferred Stock, as amended, dated as of April 30, 1999. (incorporated herein by reference to Exhibit 3.5 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).
*3.6	Certificate of Voting Powers, Designations, Preferences and Relative Participating, Optional or Other Special Rights and Qualifications, Limitations and Restrictions Thereof of the Series F Senior Redeemable, Exchangeable, PIK Preferred Stock, as amended, dated as of April 30, 1999. (incorporated herein by reference to Exhibit 3.6 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).
*3.7	By-Laws of KMC Telecom Holdings, Inc. (incorporated herein by reference to Exhibit 3.3 to KMC Telecom Holdings, Inc.'s Registration Statement on

Form S-4 (Registration No. 333-50475) filed on April 20, 1996. (hereinafter referred to as the "KMC Holdings' S-4").

- *4.1 Amended and Restated Stockholders Agreement dated as of October 31, 1997 by and among KMC Telecom Holdings, Inc., Nassau Capital Partners L.P., NAS Partners I L.L.C., Harold N. Kamine, KMC Telecommunications L.P., Newcourt Commercial Finance Corporation (formerly known as AT&T Credit Corporation), General Electric Capital Corporation, CoreStates Bank, N.A. and CoreStates Holdings, Inc. (incorporated herein by reference to Exhibit 4.1 to KMC Holdings' S-4).
- *4.2 Amendment No. 1 dated as of January 7, 1998 to the Amended and Restated Stockholders Agreement dated as of October 31, 1997, by and among KMC Telecom Holdings, Inc., Nassau Capital Partners L.P., NAS Partners I L.L.C., Harold N. Kamine, KMC Telecommunications L.P., Newcourt Commercial Finance Corporation (formerly known as AT&T Credit Corporation), General Electric Capital Corporation, CoreStates Bank, N.A. and CoreStates Holdings, Inc. (incorporated herein by reference to Exhibit 4.2 to KMC Holdings' S-4).
- *4.3 Amendment No. 2 dated as of January 26, 1998 to the Amended and Restated Stockholders Agreement dated as of October 31, 1997, by and among KMC Telecom Holdings, Inc., Nassau Capital Partners L.P., NAS Partners I L.L.C., Harold N. Kamine, KMC Telecommunications L.P., Newcourt Commercial Finance Corporation (formerly known as AT&T Credit Corporation), General Electric Capital Corporation, CoreStates Bank, N.A. and CoreStates Holdings, Inc. (incorporated herein by reference to Exhibit 4.3 to KMC Holdings' S-4).
- *4.4 Amendment No. 3 dated as of February 25, 1998 to the Amended and Restated Stockholders Agreement dated as of October 31, 1997, by and among KMC Telecom Holdings, Inc., Nassau Capital Partners L.P., NAS Partners I L.L.C., Harold N. Kamine, KMC Telecommunications L.P., Newcourt Commercial Finance Corporation (formerly known as AT&T Credit Corporation), General Electric Capital Corporation, CoreStates Bank, N.A. and CoreStates Holdings, Inc. (incorporated herein by reference to Exhibit 4.4 to KMC Holdings' S-4).
- *4.5 Amendment No. 4 dated as of February 4, 1999 to the Amended and Restated Stockholders Agreement dated as of October 31, 1997, by and among KMC Telecom Holdings, Inc., Nassau Capital Partners L.P., NAS Partners I L.L.C., Harold N. Kamine, Newcourt Commercial Finance Corporation (formerly known as AT&T Credit Corporation), General Electric Capital Corporation, CoreStates Bank, N.A. and CoreStates Holdings, Inc. (incorporated herein by reference to Exhibit 4.5 to KMC Telecom Holdings, Inc.'s Form 10-K for the fiscal year ended December 31, 1998).
- *4.6 Amendment No. 5 dated as of April 30, 1999 to the Amended and Restated Stockholders Agreement dated as of October 31, 1997, by and among KMC Telecom Holdings, Inc., Nassau Capital Partners L.P., NAS Partners I L.L.C., Harold N. Kamine, Newcourt Commercial Finance Corporation (formerly known as AT&T Credit Corporation), General Electric Capital Corporation, First Union National Bank (as successor to CoreStates Bank, N.A.) and CoreStates Holdings, Inc. (incorporated herein by reference to Exhibit 4.11 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).
- *4.7 Amendment No. 6 dated as of June 1, 1999 to the Amended and Restated Stockholders Agreement dated as of October 31, 1997, by and among KMC Telecom Holdings, Inc., Nassau Capital Partners L.P., NAS Partners I L.L.C., Harold N. Kamine, Newcourt Commercial Finance Corporation (formerly known as AT&T Credit Corporation), General Electric Capital Corporation, First Union National Bank (as successor to CoreStates Bank, N.A.) and CoreStates Holdings, Inc. (incorporated herein by reference to Exhibit 4.12 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).
- 4.8 Amendment No. 7 dated as of January 1, 2000 to the Amended and Restated

Stockholders Agreement dated as of October 31, 1997, by and among KMC Telecom Holdings, Inc., Nassau Capital Partners L.P., NAS Partners I L.L.C., Harold N. Kamine, Newcourt Commercial Finance Corporation (formerly known as AT&T Credit Corporation), General Electric Capital Corporation, First Union National Bank (as successor to CoreStates Bank, N.A.) and CoreStates Holdings, Inc.

- *4.9 Indenture dated as of January 29, 1998 between KMC Telecom Holdings, Inc. and The Chase Manhattan Bank, as Trustee, including specimen of KMC Telecom Holdings, Inc.'s 12 1/2% Senior Discount Note due 2008. (incorporated herein by reference to Exhibit 4.5 to KMC Holdings' S-4).

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- *4.10 First Supplemental Indenture dated as of May 24, 1999 among KMC Telecom Holdings, Inc., KMC Telecom Financing, Inc. and The Chase Manhattan Bank, as Trustee, to the Indenture dated as of January 29, 1998 between KMC Telecom Holdings, Inc. and The Chase Manhattan Bank, as Trustee. (incorporated herein by reference to Exhibit 4.1 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended September 30, 1999).
- *4.11 Indenture dated as of May 24, 1999 among KMC Telecom Holdings, Inc., KMC Telecom Financing, Inc. and The Chase Manhattan Bank, as Trustee, including specimen of KMC Telecom Holdings, Inc.'s 13 1/2% Senior Notes due 2009. (incorporated herein by reference to Exhibit 4.2 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended September 30, 1999).
- *4.12 Purchase Agreement dated as of May 19, 1999 among KMC Telecom Holdings, Inc. and Morgan Stanley & Co. Incorporated, Credit Suisse First Boston Corporation, First Union Capital Markets Corp., CIBC World Markets Corp., BancBoston Robertson Stephens Inc. and Wasserstein Perella Securities, Inc. (incorporated herein by reference to Exhibit 4.3 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended September 30, 1999).
- *4.13 Collateral Pledge and Security Agreement made and entered into as of May 24, 1999 by KMC Telecom Financing, Inc. in favor of The Chase Manhattan Bank as Trustee. (incorporated herein by reference to Exhibit 4.4 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended September 30, 1999).
- *4.14 Registration Rights Agreement dated as of January 26, 1998, between KMC Telecom Holdings, Inc. and Morgan Stanley & Co. Incorporated. (incorporated herein by reference to Exhibit 4.6 to KMC Holdings' S-4).
- *4.15 Registration Rights Agreement dated as of May 19, 1999 among KMC Telecom Holdings, Inc. and Morgan Stanley & Co. Incorporated, Credit Suisse First Boston Corporation, First Union Capital Markets Corp., CIBC World Markets Corp., BancBoston Robertson Stephens Inc. and Wasserstein Perella Securities, Inc. (incorporated herein by reference to Exhibit 4.5 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended September 30, 1999).
- *4.16 Warrant Agreement dated as of January 29, 1998 between KMC Telecom Holdings, Inc. and The Chase Manhattan Bank, as Warrant Agent, including a specimen of Warrant Certificate (incorporated herein by reference to Exhibit 4.7 to KMC Holdings' S-4).
- *4.17 Warrant Agreement dated as of February 4, 1999 among KMC Telecom Holdings, Inc., The Chase Manhattan Bank, as Warrant Agent, Newcourt Commercial Finance Corporation and Lucent Technologies Inc. (incorporated herein by reference to Exhibit 10.2 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended March 31, 1999).
- *4.18 Warrant Agreement dated as of April 30, 1999 among KMC Telecom Holdings, Inc., The Chase Manhattan Bank, as Warrant Agent, First Union Investors, Inc., Harold N. Kamine and Nassau Capital Partners L.P. (incorporated

herein by reference to Exhibit 4.4 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).

- *4.19 Amendment No. 1 dated as of April 30, 1999 to the Warrant Agreement dated as of February 4, 1999, among KMC Telecom Holdings, Inc., The Chase Manhattan Bank, as Warrant Agent, Newcourt Commercial Finance Corporation, Lucent Technologies Inc. and First Union Investors, Inc. (incorporated herein by reference to Exhibit 4.7 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).
 - *4.20 Amendment No. 2 dated as of June 1, 1999 to the Warrant Agreement dated as of February 4, 1999, among KMC Telecom Holdings, Inc., The Chase Manhattan Bank, as Warrant Agent, Newcourt Commercial Finance Corporation, Lucent Technologies Inc. and First Union Investors, Inc. (incorporated herein by reference to Exhibit 4.8 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).
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- *4.21 Securities Purchase Agreement dated as of February 4, 1999 among KMC Telecom Holdings, Inc., Newcourt Commercial Finance Corporation and Lucent Technologies Inc. (incorporated herein by reference to Exhibit 10.1 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended March 31, 1999).
 - *4.22 Securities Purchase Agreement dated as of April 30, 1999 between KMC Telecom Holdings, Inc. and First Union Investors, Inc. (incorporated herein by reference to Exhibit 4.2 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).
 - *4.23 Amendment No. 1 dated as of June 1, 1999 to Securities Purchase Agreement among KMC Telecom Holdings, Inc., First Union Investors, Inc., Newcourt Commercial Finance Corporation and Lucent Technologies Inc. (incorporated herein by reference to Exhibit 4.3 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).
 - *4.24 Warrant Registration Rights Agreement dated as of January 26, 1998 between KMC Telecom Holdings, Inc. and Morgan Stanley & Co. Incorporated. (incorporated herein by reference to Exhibit 4.8 to KMC Holdings' S-4).
 - *4.25 Warrant Registration Rights Agreement dated as of February 4, 1999 among KMC Telecom Holdings, Inc., Newcourt Commercial Finance Corporation and Lucent Technologies Inc. (incorporated herein by reference to Exhibit 10.3 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended March 31, 1999).
 - *4.26 Warrant Registration Rights Agreement dated as of April 30, 1999 between KMC Telecom Holdings, Inc. and First Union Investors, Inc. (incorporated herein by reference to Exhibit 4.5 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).
 - *4.27 Amendment No. 1 dated as of April 30, 1999 to Warrant Registration Rights Agreement among KMC Telecom Holdings, Inc., Newcourt Commercial Finance Corporation and Lucent Technologies Inc. (incorporated herein by reference to Exhibit 4.6 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).
 - *4.28 Preferred Stock Registration Rights Agreement dated as of April 30, 1999 between KMC Telecom Holdings, Inc. and First Union Investors, Inc. (incorporated herein by reference to Exhibit 4.9 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).
 - *4.29 Amendment No. 1 dated as of June 1, 1999 to Preferred Stock Registration

Rights Agreement among KMC Telecom Holdings, Inc., First Union Investors, Inc., Newcourt Commercial Finance Corporation and Lucent Technologies Inc. (incorporated herein by reference to Exhibit 4.10 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).

- *10.1 Purchase Agreement dated January 26, 1998 by and between KMC Telecom Holdings, Inc. and Morgan Stanley & Co. Incorporated (incorporated herein by reference to Exhibit 10.1 to KMC Holdings' S-4).
- *10.2 Loan and Security Agreement dated as of December 22, 1998 among KMC Telecom Inc., KMC Telecom II, Inc., KMC Telecom of Virginia, Inc., KMC Telecom Leasing I LLC, KMC Telecom Leasing II LLC, the additional subsidiaries from time to time parties thereto, the financial institutions signatory thereto from time to time as "Lenders", First Union National Bank as Administrative Agent for the Lenders and Newcourt Commercial Finance Corporation (formerly known as AT&T Commercial Corporation), as Collateral Agent for the Lenders. (incorporated herein by reference to Exhibit 10.2 to KMC Telecom Holdings, Inc.'s Form 10-K for the fiscal year ended December 31, 1998).
- *10.3 Amendment No. 1 to Loan and Security Agreement dated as of March 3, 1999 to Loan and Security Agreement dated as of December 22, 1998, among KMC Telecom Inc., KMC Telecom II, Inc., KMC Telecom of Virginia, Inc., KMC Telecom Leasing I LLC, KMC Telecom Leasing II LLC, the additional subsidiaries from time to time parties thereto, the financial institutions signatory thereto from time to time as "Lenders", First Union National Bank as Administrative Agent for the Lenders and Newcourt Commercial Finance Corporation (formerly known as AT&T Commercial Corporation), as Collateral Agent for the Lenders. (incorporated herein by reference to Exhibit 10.3 to KMC Telecom Holdings, Inc.'s Form 10-K for the fiscal year ended December 31, 1998).
- *10.4 Waiver and Amendment No. 3 to Loan and Security Agreement dated as of October 29, 1999 to Loan and Security Agreement dated as of December 22, 1998, among KMC Telecom Inc., KMC Telecom II, Inc., KMC Telecom of Virginia, Inc., KMC Telecom Leasing I LLC, KMC Telecom Leasing II LLC, the financial institutions from time to time parties thereto as "Lenders", First Union National Bank as Administrative Agent for the Lenders and Newcourt Commercial Finance Corporation (formerly known as AT&T Commercial Finance Corporation), as Collateral Agent for the Lenders. (incorporated herein by reference to Exhibit 10.4 to KMC Telecom Holdings, Inc.'s Registration Statement on Form S-4 (Registration No. 333-91237 and 333-91237-01) filed on November 18, 1999 (the "KMC Holdings 1999 S-4").
- 10.5 Amendment No. 4 to Loan and Security Agreement dated as of December 31, 1999 to Loan and Security Agreement dated as of December 22, 1998, among KMC Telecom Inc., KMC Telecom II, Inc., KMC Telecom of Virginia, Inc., KMC Telecom Leasing I LLC, KMC Telecom Leasing II LLC, the financial institutions from time to time parties thereto as "Lenders", First Union National Bank as Administrative Agent for the Lenders and Newcourt Commercial Finance Corporation (formerly known as AT&T Commercial Finance Corporation), an affiliate of The CIT Group, Inc., as Collateral Agent for the Lenders.
- 10.6 Amended and Restated Loan and Security Agreement dated as of February 15, 2000 by and among KMC Telecom Inc., KMC Telecom II, Inc., KMC Telecom III, Inc., KMC Telecom of Virginia, Inc., KMC Telecom Leasing I LLC, KMC Telecom Leasing II LLC, KMC Telecom Leasing III LLC, KMC Telecom.com, Inc., KMC III Services LLC, the financial institutions from time to time parties thereto as "Lenders", First Union National Bank as Administrative Agent for the Lenders, First Union National Bank, as Administrative Agent for the Lenders and Newcourt Commercial Finance Corporation (formerly known as AT&T Commercial Finance Corporation), an affiliate of The CIT Group, Inc., as Collateral Agent for the Lenders.
- *10.7 General Agreement by and among KMC Telecom Inc., KMC Telecom II, Inc.

- and Lucent Technologies Inc. dated September 24, 1997, as amended on October 15, 1997 (incorporated herein by reference to Exhibit 10.7 to KMC Holdings' S-4).
- 10.8 Amendment Number Two to the General Agreement by and among KMC Telecom Inc., KMC Telecom II, Inc., KMC Telecom Leasing I LLC, KMC Telecom Leasing II LLC and Lucent Technologies Inc. dated as of December 22, 1998.
- 10.9 Amendment Number Three to the General Agreement by and among KMC Telecom Inc., KMC Telecom II, Inc., KMC Telecom III, Inc., KMC Telecom of Virginia, Inc., KMC Telecom Leasing I LLC, KMC Telecom Leasing II LLC, KMC Telecom Leasing III LLC and Lucent Technologies Inc. dated as of November 15, 1999.
- 10.10 Amendment Number Four to the General Agreement by and among KMC Telecom Inc., KMC Telecom II, Inc., KMC Telecom III, Inc., KMC Telecom IV, Inc., KMC Telecom of Virginia, Inc., KMC Telecom Leasing I LLC, KMC Telecom Leasing II LLC, KMC Telecom Leasing III LLC, KMC Telecom Leasing IV LLC, KMC III Services LLC and Lucent Technologies Inc. dated as of February 15, 2000.
- *10.11 Professional Services Agreement between KMC Telecom Inc. and Lucent Technologies, Inc. dated September 4, 1997. (incorporated herein by reference to Exhibit 10.8 to KMC Holdings' S-4).
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- *10.12 Memorandum of Agreement between KMC Telecom Holdings, Inc. and EFTIA OSS Solutions Inc., dated as of October 26, 1998. (incorporated herein by reference to Exhibit 10.6 to KMC Telecom Holdings, Inc.'s Form 10-K for the fiscal year ended December 31, 1998).
- *10.13 Master License Agreement dated December 31, 1998 by and between Billing Concepts Systems, Inc. and KMC Telecom Holdings, Inc. (incorporated herein by reference to Exhibit 10.7 to KMC Telecom Holdings, Inc.'s Form 10-K for the fiscal year ended December 31, 1998).
- *10.14 Lease Agreement dated January 1, 1996 between Cogeneration Services Inc. (now known as Kamine Development Corp.) and KMC Telecom Inc. (incorporated herein by reference to Exhibit 10.8 to KMC Telecom Holdings, Inc.'s Form 10-K for the fiscal year ended December 31, 1998).
- *10.15 1998 Stock Purchase and Option Plan for Key Employees of KMC Telecom Holdings, Inc. and Affiliates. (incorporated herein by reference to Exhibit 4 to KMC Holdings, Inc.'s Form 10-Q for the quarterly period ended September 30, 1998).+
- *10.16 Specimen of Non-Qualified Stock Option Agreement for options granted under the 1998 Stock Purchase and Option Plan for Key Employees of KMC Telecom Holdings, Inc. and Affiliates. (incorporated herein by reference to Exhibit 10.10 to KMC Holdings, Inc.'s Form 10-Q for the quarterly period ended September 30, 1998).+
- *10.17 Amendment No. 1 made as of June 7, 1999 to 1998 Stock Purchase and Option Plan for Key Employees of KMC Telecom Holdings, Inc. and Affiliates (incorporated herein by reference to Exhibit 10.1 to KMC Telecom Holdings, Inc.'s Form 10-Q for the quarterly period ended June 30, 1999).+
- **21.1 Subsidiaries of KMC Telecom Holdings, Inc.
- **24.1 Powers of Attorney (Appears on signature page).
- **27.1 Financial Data Schedule.

 * Incorporated herein by reference.
 ** Filed herewith.

- + Management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Bedminster, State of New Jersey, on the 30th day of March, 2000.

KMC TELECOM HOLDINGS, INC.

By: /s/ ROSCOE C. YOUNG II

Roscoe Young II
President and Chief Operating Officer

KNOW BY ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Roscoe C. Young II and William H. Stewart his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 30th day of March, 2000.

SIGNATURE	TITLE(S)
/s/ ROSCOE C. YOUNG II ----- Roscoe C. Young II	President, Chief Operating Officer and Director (Principal Executive Officer)
/s/ WILLIAM H. STEWART ----- William H. Stewart	Executive Vice President, Chief Financial Officer and Director (Principal Financial Officer)
/s/ ROBERT F. HAGAN ----- Robert F. Hagan	Senior Vice President, Finance (Principal Accounting Officer)
/s/ HAROLD N. KAMINE ----- Harold N. Kamine	Chairman of the Board of Directors
/s/ GARY E. LASHER ----- Gary E. Lasher	Vice Chairman of the Board of Directors
/s/ RICHARD H. PATTERSON ----- Richard H. Patterson	Director
/s/ JOHN G. QUIGLEY ----- John G. Quigley	Director